



## **REQUEST FOR PROPOSALS**

### **HOUSING TRUST FUND AND CHARLOTTE HOUSING OPPORTUNITY INVESTMENT FUND**

**City of Charlotte  
Housing & Neighborhood Services  
600 East Trade Street  
Charlotte, NC 28202-2859**

**July 2021**

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# General Conditions

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## General Conditions

### Section I: Purpose

- 1.0 The City of Charlotte (“City”) and the Local Initiatives Support Corporation (“LISC”) are now accepting Proposals for affordable housing development through the City’s Housing Trust Fund (“HTF”) and the Local Initiatives Support Corporation’s (LISC) Charlotte Housing Opportunity Investment Fund (“CHOIF”), to provide equity and loan funds for affordable newly constructed or rehabilitated rental and for sale housing. An addendum will be issued should there be additional information developers need to be made aware of.

The HTF is capitalized with voter approved general obligation bond proceeds and other available City financing resources, while the CHOIF is funded with corporate, philanthropic, and private investments. Both HTF and CHOIF funding must be used to finance housing for households earning up to 80% and 120% of the Area Median Income (“AMI”) respectively. Development projects financed with HTF and CHOIF funding are required to record long-term deed restrictions to maintain affordability.

For this round, funds will be provided as gap financing for eligible affordable rental and homeownership housing development projects.

For HTF Requests, the development must serve households earning 80% or below the area median income (AMI) with income averaging of up to 60% of AMI for the restricted units with 20% of the total units servicing households at 30% of AMI. At least 10% of the units must be targeted to households with rental subsidies including vouchers directly or indirectly funded by the federal government. For CHOIF Requests, the development should serve households earning between 30% and 120% of AMI. For homeownership, units must be sold to households earning 80% of AMI or less.

The program guidelines set forth in these General Conditions pertain solely to HTF financing. CHOIF guidelines are separate and can be found in the Charlotte Housing Opportunity Investment Fund Guidelines section of this packet.

1.1 **Request for Proposals Schedule**

Activity	Scheduled Date
Pre-RFP Developer Feedback Session	July 8, 2021
Post RFP	July 9, 2021
Proposal Submission Deadline	August 9, 2021
Sketch Site Plans and Building Elevations Sent to Planning*.	August 12, 2021
Planning comment – Sketch Plan Review	August 13, 2021– August 20, 2021
Sketch Plan/Building Elevation Comments sent back to applicant	August 20, 2021
<b>Not Required</b> -If a meeting is needed to review sketch site plan and building elevation comments please contact Nan Peterson via email at <a href="mailto:npeterson@ci.charlotte.nc.us">npeterson@ci.charlotte.nc.us</a> by close of business <b>August 20, 2021</b> . A WebEx meeting will be	August 20, 2021 August 23, 2021

scheduled in order received and for 30 minutes. <b>All meetings will be scheduled for August 23, 2021.</b>	
Market Analysis Due	August 31, 2021
Revised Sketch Plan Submission Deadline. Send to Brent Wilkinson via email to <a href="mailto:bwilkinson@ci.charlotte.nc.us">bwilkinson@ci.charlotte.nc.us</a>	August 25, 2021
Final Planning Support Letter - Conceptual Architectural, Building and Site Design	September 6, 2021
City Council Dinner Briefing	September 13, 2021
City Council Approval	September 27, 2021

\*Sketch site plan application is included in RFP packet and must be included in RFP response

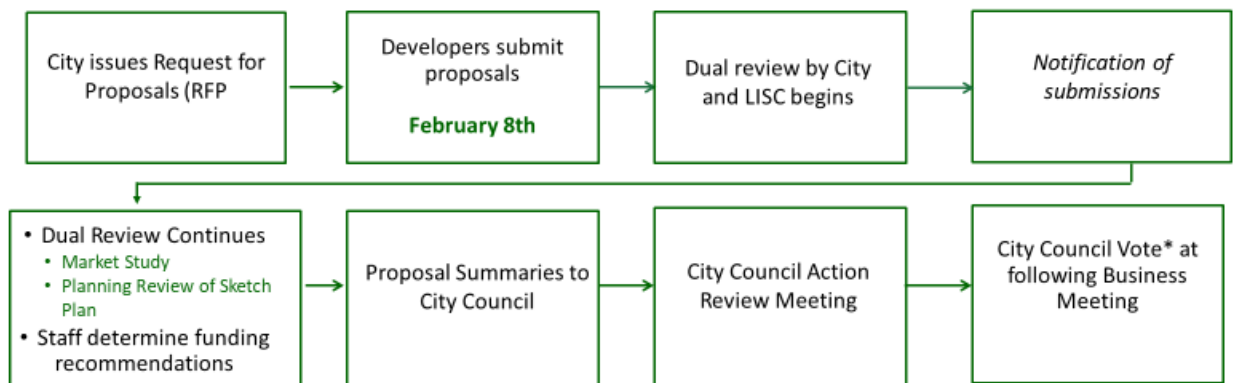
Link to Request for Funding Application:

<https://charlottenc.gov/HNS/Housing/RFP/Pages/Requests%20For%20Proposals.aspx>

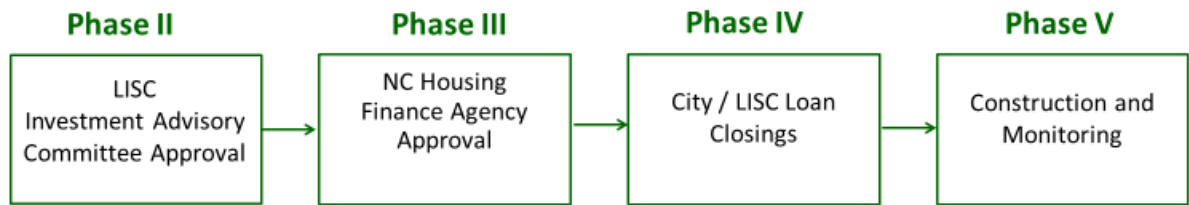


## HOUSING TRUST FUND PROCESS

### Phase I



\*Council vote must occur prior to state's LIHTC application deadline (May 14). 9% LIHTC allocations are awarded in August. Projects involving state housing bonds will require subsequent Council action.



## **Section II: Instruction to Applicants**

- 2.0 **Introduction:** Careful attention must be paid to all requested items contained in the Request for Proposals (“RFP”) packet. Development Teams are required to submit proposals in accordance with the requirements of the RFP documents. The entire set of documents contained in the RFP packet constitutes the RFP. The Developer must submit all information necessary to properly analyze the RFP. The City will only accept complete proposal packets for review. Incomplete packets will not be considered.
- 2.1 **Additional Funding Sources:** In addition to HTF and CHOIF funds, local financial institutions have committed funding to be used as below market rate debt for projects utilizing the 4% LIHTC in conjunction with tax-exempt bond executions. LISC will provide low-interest subordinate capital to developers to help facilitate the permanent financing of these housing projects. Projects seeking funding for this capital should follow the guidelines of the RFP and should submit soft letters of interest, commitment letters, and/or other evidence of supplementary debt/equity financing through the RFP application.  
(<https://charlottenc.gov/HNS/Housing/RFP/Pages/Requests%20For%20Proposals.aspx>).
- 2.2 **Each Developer Shall:** Comply with all federal, state, and local ordinances and statutes governing residential housing development.
- 2.3 **Request for Proposals Review and Submission:** Request for Proposals will be accepted in accordance to the instructions detailed in the Housing Trust Fund/Charlotte Housing Opportunity Investment Fund Request for Proposals Submittal Checklist. Developers

shall be responsible for the actual submission of Proposals.

**2.4 City's Rights and Reservations:**

The City reserves the right, at the City's sole discretion, to take any action affecting this RFP, this RFP process, or the activity subject to this RFP that would be in the best interest of the City, including:

2.4.1: To supplement, amend, substitute, or otherwise modify this RFP, including the schedule, or to cancel this RFP, at any time;

2.4.2: To require any Developer to supplement or clarify its proposal or provide additional information relating to its proposal;

2.4.3: To investigate the qualifications, experience, capabilities, and financial standing of each Developer submitting a proposal;

2.4.4: To reject any or all proposals;

2.4.5: To share the proposals with City employees in addition to the Evaluation Committee as deemed necessary by the City;

2.4.6: To award all, none, or any part of the requested gap financing to one or more of the responding Developers deemed by the City to be in the best interest of the City, which may be done with or without re-solicitation;

2.4.7: To discuss and negotiate with any Developer their proposal terms and conditions, including but not limited to financial terms; and

2.4.8: To terminate discussions and negotiations with any Developer at any time and for any reason.

**2.5 Expense of Submittal Preparation:** The City is not responsible for any cost incurred by a developer in the preparation of their Proposal packet. Developers will have no actionable claims for reimbursement of any costs or expenses incurred in participating in this solicitation process.

**2.6 Request for Proposals Changes/Modifications:** Developers may change or withdraw their proposals at any time prior to the Request for Proposals submission deadline; however, no oral modifications will be allowed. Only formal written requests for modifications or corrections of a previously submitted proposal will be accepted by the City and LISC prior to the scheduled submission deadline for receipt of proposals.

**2.7 Clarification of Submittal:** The City/LISC reserves the right to obtain clarification of any point in a Developer's proposals packet or to request and obtain additional information.

**2.8 Confidential or Proprietary Information:** Responses, in whole or in part, are NOT to be marked confidential or proprietary. The City may refuse to consider any responses or part thereof so marked. Responses submitted to this RFP may be subject to public disclosure. The City shall not be liable in any way for disclosure of any such records.

**2.9 Developer Questions and Inquiries:** The City/LISC is committed to providing all developers responding to the RFP with accurate and consistent information to ensure that no Developer obtains an undue competitive advantage. All questions and inquiries

must be directed as indicated below:

Miles Vaughn,  
Housing & Neighborhood Services  
600 East Trade Street  
Charlotte, NC 28202  
PHONE: 704-336-5045  
miles.vaughn@charlottenc.gov

or

Zelleka Biermann  
Housing & Neighborhood Services  
600 East Trade Street  
Charlotte, NC 28202  
Tel: (704) 336- 2482  
zbiermann@charlottenc.gov

- 2.10 **Use of Name:** The City/LISC is not engaged in research for advertising, sales promotion, or other purposes. No advertising, sales promotion or other public City/LISC materials containing information obtained from this RFP are to be mentioned, or imply the name of the City/LISC, without prior express written permission.
- 2.11 **Bribery and Lobby Clause:** By submission of a proposal, the Developer certifies that neither it, any of its affiliates or subcontractors, nor any employees of any of the foregoing has bribed or lobbied, or attempted to bribe, or lobby an officer or employee of the City/LISC.
- 2.12 **Agreement with Successful Developer:** All statements contained in a proposal or made in writing during negotiation by the Developer shall constitute offers by the Developer for inclusion in the final agreement. The City/LISC may accept or reject such offers within a reasonable time after they are made.
- 2.13 **Proposals Evaluation:** Proposals will be evaluated based on the evaluation criteria found in the RFP packet, including, but not limited to:

**HTF-funded developments will at a minimum meet the following criteria\*:**

- Comply with City affordable housing policies and program guidelines.
- Include at least 20% of the total units as being targeted to households at 30% of AMI. At least 10% of the units must be targeted to households with rental subsidies including vouchers funded directly or indirectly by the federal government.
- All 4% LIHTC proposals must include the submission of a Final LIHTC application by October 2021 and receive an award in January 2022.
- Proposed developments that are in Very High and High Opportunity Areas (**See Attachment A**) may be asked to include the use of Project Based Vouchers (PBV) in the development. Given the limited availability of PBV's, there is no guarantee that all proposals located in opportunity areas will be awarded PBVs to them. If



the use of PBV's does not adversely impact the proposed development's time schedule, upon being awarded PBV's, the developer must adjust their gap funding request amount to reflect the higher PBV contract rents.

- Proposed developments in City Council Districts 6 and 7 are not subject to the HTF award limit.
- Developers must cover all legal closing costs up to \$15,000.
- Developers must pay a compliance monitoring fee of \$50 per unit for developments that have been placed in service.
- The City Council approved Affordable Housing Location Guidelines.
- Meet zoning and planning guidelines and requirements including special/conditional use permits and any other discretionary land use approval by August 31, 2021.
- Include a COVID-19 Compliant community engagement process that reflects input from the impacted community (See Submittal Checklist Section G for details).
- Meet Charlotte Water Capacity and Connection requirements.

***\*Please see the Housing Trust Fund Request for Proposals Guidelines for additional evaluation criteria***

**CHOIF-funded developments will at a minimum meet the following criteria:**

- Demonstrated ability to repay investor principal and coupon through excess cash distribution over term.
- Demonstrated high quality units for all income levels between 30% and 120% AMI.
- Agree to income averaging in 4% LIHTC projects.
- Accept housing vouchers with no discrimination against income source.
- Geographic criteria-proposed projects should be in areas of high opportunity. High opportunity areas are census tracts identified by the Opportunity Insights research team as those that promote family economic mobility. High opportunity areas are characterized by low poverty, low crime rate, access to high performing schools, access to transportation, access to employment opportunities and other factors that promote good quality of life. We will also consider the City's Affordable Housing Locational Guidelines and the Housing Authority's Opportunity Areas.

**HTF award limits:**

- The maximum award to anyone funding request will be as follows:

Funding Source*	No City land or CHOIF	HTF & CHOIF	City Land
HTF Limit	<ul style="list-style-type: none"> <li>• \$32k per unit</li> <li>• Maximum of \$3.2M</li> </ul>	<ul style="list-style-type: none"> <li>• \$22k per unit</li> <li>• Maximum of \$2.2M</li> </ul>	<ul style="list-style-type: none"> <li>• \$22k per unit</li> <li>• Maximum of \$2.2M</li> </ul>
CHOIF Limit		Projects will be reviewed individually along the investment parameters.	

***\*The City reserves the right to make a maximum of two housing awards (Regardless to whether rental or homeownership) to any one principal or co-developer. To encourage affordable housing development in City Council Districts 6 and 7, development proposals within those districts are not subject to the HTF award limits.***

**Development Teams must also:**

- Inform the district City Council representative for the proposed development and convene at least two COVID-19 Compliant community outreach meetings to present the proposed development (See Submittal Checklist Section G for details).
- Submit a complete funding proposal packet by August 9, 2021.
- Include with the proposal a utilities plan or preliminary site plan with proposed sewer connection(s) and site flow projects using NCDEQ 15A NCAC 02T (Wastewater Flow Estimate Guidance Document). This is necessary for the Charlotte Water Capacity Assurance Review Proposal.
- Note that if assistance is being sought for a 4% LIHTC development, developers must have placed at least one 4% LIHTC development in service within the last five years.
- Schedule a Sketch Plan meeting with the Planning Department as required.
- Demonstrate the experience necessary to place the proposed development in service.

2.14 **Award of Funding by City Council:** As soon as practicable after the review of the Proposals, the apparent successful Developer(s) will be submitted to the City Council for final approval of an award. If approved by the City Council, the Housing & Neighborhood Services Department and LISC will provide properly prepared financing agreement documents to the Developer.

2.15 **Request for Proposals Deliverables:** All Developers must submit the information required in the Housing Trust Fund/Charlotte Housing Opportunity Investment Fund Proposal Submittal Checklist.

2.16 **Familiarity with Laws and Ordinances:** The Developer will follow all applicable federal, state and/or local laws regarding employment practices. Such laws will include, but shall not be limited to workers' compensation, the Fair Labor Standards Act (FLSA), the Americans with Disabilities Act (ADA), the Family and Medical Leave Act (FMLA) and all Occupational Safety and Health Administration (OSHA) regulations governing residential development.

If the Developer discovers any provision in the RFP or supporting documents which are contrary to or inconsistent with any law, ordinance or regulation, they shall immediately report it in writing to the Housing & Neighborhood Services Department's Housing Services Manager.

2.17 **Fair Housing Compliance:** The City is committed to ensuring the protection of fair housing rights for all residents of Charlotte. This includes prohibition of discrimination in housing practices due to race, sex, religion, national origin, color, disability status, source of income, and familial status (having custody of children 18 years of age and younger). As a condition of entering into an Agreement with the City, the Developer agrees to not violate the Charlotte Fair Housing Ordinance. Specific questions

regarding compliance with the Charlotte Fair Housing Ordinance may be directed to the Charlotte-Mecklenburg Community Relations Committee for clarification.

2.18 **Taxes:** The Developer shall be responsible for any applicable Federal, State and Local taxes, which may be chargeable against the performance of the work agreed to.

2.19 **Non-Discrimination Provision:** The City is committed to promoting equal opportunities for all and to eliminating prohibited discrimination in all forms. For purposes of this section, prohibited discrimination means discrimination in the solicitation, selection, and/or treatment of any subcontractor, vendor, supplier or commercial customer based on race, ethnicity, gender, age, religion, national origin, disability or other unlawful form of discrimination. Without limiting the foregoing, prohibited discrimination also includes retaliating against any person, business or other entity for reporting any incident of prohibited discrimination. It is understood and agreed that not only is prohibited discrimination improper for legal and moral reasons, prohibited discrimination is also an anti-competitive practice that tends to increase the cost of goods and services to the City and others.

As a condition of entering into an Agreement, the Developer must represent, warrant and agree that it does not and will not engage in or condone prohibited discrimination. Without limiting any rights, the City may have at law or under any other provision of an Agreement, it is understood and agreed that a violation of this provision constitutes grounds for the City to terminate its Agreement with the Developer.

As a condition of entering into an Agreement, the Developer further agrees to: (a) promptly provide to the City all information and documentation that may be requested by the City from time to time regarding the solicitation and selection of subcontractors; and (b) provide to the City within 60 days after completion of performance under an Agreement a Final Payment Affidavit in the form that will be attached to an Agreement as an Exhibit. Failure to maintain or failure to provide such information would constitute grounds for the City to terminate or withhold payment under an Agreement.

2.20 **Independent Contractor Status:** The Developer and the City agree that the Developer is an independent contractor and not an employee or agent of the City. The Developer shall have exclusive control of and the exclusive right to control the details of the services and work performed and all persons performing the same and nothing herein shall be construed as creating a partnership, agency, joint venture or other similar relationship between the City and Contractor.

The Developer agrees that it will not represent to anyone that its relationship with the City is other than that of an independent contractor, and the City and the Developer may so inform any parties with whom they deal and may take any other responsible steps to carry out the intent of this section. The Developer shall be fully and solely responsible for its own acts and omissions and those of its employees, officers, agents and subcontractors.

2.21 **Drug-Free Workplace:** The City of Charlotte is a drug-free workplace employer. The City has adopted a policy requiring its contractors to provide a drug-free workplace during the performance of any City contract. To be eligible for funding under the HTF, a prospective Developer must certify that it will, if awarded funding, provide a drug-free workplace during the term of the funding agreement. This requirement is met by:

- (a) Notifying employees that the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited in the workplace and specifying the actions that will be taken for violations of such prohibition;
- (b) Establishing a drug-free awareness program to inform employees about (i) the dangers of drug abuse in the workplace, (ii) the contractor's policy of maintaining a drug-free workplace, (iii) any available drug counseling, rehabilitation, and employee assistance programs, and (iv) the penalties that may be imposed upon employees for drug abuse violations;
- (c) Notifying each employee that as a condition of employment, the employee will (i) abide by the terms of the prohibition outlined in (a) above, and (ii) notify the contractor of any criminal drug statute conviction for a violation occurring in the workplace not later than five days after such conviction;
- (d) Imposing a sanction on, or requiring the satisfactory participation in a drug counseling, rehabilitation or abuse program by, and employee convicted of drug crime;
- (e) Making a good faith effort to continue to maintain a drug-free workplace for employees; and
- (f) Requiring any party to which it subcontracts any portion of the work under the contract to comply with the provisions of (a) - (f). If the prospective Developer is an individual, the drug-free workplace requirement is met by not engaging in the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance in the performance of the contract.

2.22 **NC E-Verify Requirement:** A prospective Developer must certify that it will, if awarded funding (i) comply with the E-Verify requirements set forth in Article 2 of Chapter 64 of the North Carolina General Statutes (the "E-Verify Requirements"); and (ii) cause each subcontractor under this Contract to comply with such E-Verify Requirements as well. The Developer will indemnify and hold harmless the City from all losses, damages, costs, expenses (including reasonable attorneys' fees), obligations, duties, fines, penalties, interest charges and other liabilities (including settlement amounts) incurred on account of any failure by Developer or any subcontractor to comply with the E-Verify Requirements.

2.23 **NC Prohibition on Contracts with Developers That Invest in Iran or Boycott Israel.**

Developer certifies that: (i) it is not identified on the Final Divestment List or any other list of prohibited investments created by the NC State Treasurer pursuant to N.C.G.S. 147-86.58 (collectively, the “Treasurer’s IDA List”); (ii) it has not been designated by the NC State Treasurer pursuant to N.C.G.S. 147-86.81 as a Developer engaged in the boycott of Israel (such designation being referred to as the “Treasurer’s IB List”); and (iii) it will not take any action causing it to appear on the Treasurer’s IDA List or the Treasurer’s IB List during the term of this Contract. In signing this Contract Developer further agrees, as an independent obligation, separate and apart from this Contract, to reimburse the City for any and all damages, costs and attorneys’ fees incurred by the City in connection with any claim that this Contract or any part thereof is void due to Developer appearing on the treasurer’s IDA List or the Treasurer’s IB List at any time before or during the term of this Contract.

- 2.24 **City of Charlotte Business INclusion Program (CBI):** The Charlotte Business INclusion program promotes diversity, inclusion, and local business opportunities in the City’s contracting and procurement process for Minority, Women, and Small Business Enterprises (MWSBEs) headquartered in the Charlotte Combined Statistical Area (CSA).

The City of Charlotte is committed to promoting opportunities for maximum participation of certified MWSBEs on City funded contracts at both the Prime and Subcontract level. For MWSBE participation to count towards a Goal, MWSBEs must meet both the certification and geographic requirements as defined in the CBI Policy. The CBI goal matrix is as follows:

HTF Award Amount	Minimum Goal
Under \$500,000	2 Percent
Between \$500,001 and \$1,000,000	4 Percent
Between \$1,000,001 and \$2,000,000	6 Percent
Between \$2,000,001 and \$3,000,000	8 Percent

- 2.25 **Additional Funding Sources; Below Market Debt:** In addition to HTF and CHOIF funds, certain local financial institutions have indicated interest in providing below interest market rate debt for those projects utilizing 4% LIHTCs in conjunction with tax-exempt bond executions (“Below Market Debt Financing”). Please note Below Market Debt Financing is separate from HTF and CHOIF. The City, HTF, nor CHOIF can guarantee the availability or terms of any Below Market Debt Financing. Developers are encouraged to discuss Below Market Debt Financing possibilities with the financial institutions. **Contact information for the Lenders providing Below Market Debt will be provided as an addendum to the RFP. Developers are to contact the lending institutions**

participating in the Below Market Debt product for additional information.

## 2.26 Definitions:

- *Minority Business Enterprise (MBE)*: Refers to a Business Enterprise that: (a) is certified by the State of North Carolina as a Historically Underutilized Business (HUB) within the meaning of N.C. Gen. Stat. 143-128.4; (b) is at least fifty-one percent (51%) owned by one or more persons who are members of one of the following groups: African American or Black, Hispanic, Asian, Native American or American Indian; and (c) is headquartered in the Charlotte Combined Statistical Area.
- *Small Business Enterprise (SBE)*: Refers to a Business Enterprise that is certified by the City of Charlotte under Part E of the CBI Policy as meeting all of the requirements for SBE certification
- *Women Business Enterprise (WBE)*: Refers to a Business Enterprise that: (a) is certified by the State of North Carolina as a Historically Underutilized Business (HUB) within the meaning of N.C. Gen. Stat. 143-128.4; (b) is at least fifty-one percent (51%) owned by one or more persons who are female; and (c) is headquartered in the Charlotte Combined Statistical Area.
- *Charlotte Combined Statistical Area (CSA)*: Refers to the Charlotte-Gastonia-Salisbury Combined Statistical Area in effect as of April 8, 2013 consisting of; (a) the North Carolina counties of Anson, Cabarrus, Cleveland, Gaston, Iredell, Lincoln, Mecklenburg, Rowan, Stanly, and Union; and (b) the South Carolina counties of Chester, Lancaster, and York. This is one criterion used by Charlotte Business INclusion to determine eligibility to participate in the program.
- *MWSBE*: Refers to SBEs, MBEs and WBEs as a collective. In some context it means all SBEs, MBEs, and WBEs, and in other contexts it means one or more categories of SBEs, MBEs, or WBEs.
- *MWSBE Goal*: The term MWSBE Goal depends on the context. If a Contract has separate Subcontracting Goals, MBEs, WBEs, and/or SBEs, the term MWSBE is a shorthand way to refer collectively to all MBE, WBE, and SBE Goals set for the Contract. In some instances, the City may set one combined goal for MBEs, WBEs, and/or SBEs on a Contract, in which event the term MWSBE Goal refers to that one, combined goal. In the latter instance, calculated as a percentage, the MBE, SBE and WBE Goal represents the total dollars spent with MBEs, SBEs and WBEs as a portion of the total Bid or Proposal amount, including any contingency.
- *Proposal*: Refers to the proposal submitted by a Developer for the Services as outlined in this RFP.
- *Subcontracting Goals*: Refers to the SBE, MBE, WBE, and MWSBE Goals established by the City for a Contract.

## 2.27 Additional information for Developers

- Read the CBI policy online at [www.charlottebusinessinclusion.com](http://www.charlottebusinessinclusion.com)
- Access the MWSBE vendor list at [www.charlottebusinessinclusion.com](http://www.charlottebusinessinclusion.com)

- Utilize CBI staff to become familiar with all pertinent forms and templates
- Attend all pre-bid meetings to ask questions and become familiar with the City's CBI policy
- Attend CBI Orientation Sessions
- Visit the Housing & Neighborhood Services web site to view the latest HTF/CHOIF Request for Proposal (Link is below)
- <https://charlottenc.gov/HNS/Housing/RFP/Pages/Requests%20For%20Proposals.aspx>

**Charlotte Business INclusion Program Contact Information:**

City of Charlotte  
City Procurement  
704-336-2116  
600 East Fourth Street  
Charlotte, NC 28202  
[www.charlottebusinessinclusion.com](http://www.charlottebusinessinclusion.com)

# **City of Charlotte**

## **Housing Trust Fund**

### **Request for Proposals Guidelines – Rental Housing**

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## **SECTION I: GOALS AND GENERAL REQUIREMENTS**

The City of Charlotte (“The City”) is committed to creating diverse and inclusive neighborhoods. One method of creating these types of neighborhoods is helping to ensure that safe, decent and affordable housing is available for low and moderate-income households. The City plays a role by making financial resources available to affordable housing developers in the form of gap financing to develop new affordable rental, homeownership, and rehabilitation housing and to preserve existing affordable housing units.

### **A. Goals:**

The City’s Housing Policy embraces the following national goals established by the United States Department of Housing and Urban Development, and aligns with the City Council priorities as set forth in the Charlotte Housing Framework which supports the creation and preservation of safe and decent housing for low and moderate-income households:

- Provide decent and affordable housing,
- Provide a suitable living environment, and
- Expand economic opportunities to benefit low and moderate-income households.

The City’s Housing Policy also reflects the Housing Charlotte Framework. The Housing Charlotte Framework was approved by City Council on August 27, 2018 and is based upon three core considerations:

- Increasing capacity to serve low-income residents earning 80% and below the area median income, with a focus on households earning below 60 percent of area median income,
- Serving residents vulnerable to housing displacement, and
- Using housing to build and expand access to opportunity.

The City provides loans and grants to further its mission of expanding and preserving the supply of quality affordable housing and supporting family self-sufficiency.

### **B. General Requirements:**

The City’s HTF is one funding source used to provide affordable housing. The HTF provides funding for the development of new construction affordable rental and rehabilitated housing. Such housing is provided primarily for low and moderate-income households. The HTF seeks to leverage the State’s Low-Income Housing Tax Credit (LIHTC) program which targets households earning 80% and below the Area Median Income (“AMI”). The City considers the following when evaluating Proposals for affordable housing development loans and grants:

- Public purpose (but for the City investment, the project would not be feasible for the targeted income group),

- Ability of the proposed development to help achieve the City's affordable housing policies and goals,
- Financial feasibility,
- Developer's capability and experience,
- Site location,
- Number of affordable housing units and targeting of incomes,
- Long-term affordability,
- Community impact and support, and
- Completeness of proposal (incomplete Proposals will not be considered).

To ensure City-financed affordable housing developments adhere to the City's affordable housing goals, each affordable housing development must:

- Maintain the affordability of units using long-term deed restrictions. The minimum length of the affordability period will be evaluated and determined based on the City's financing per unit,
- Include Homeownership units with a minimum affordability period of 15 years,
- Ensure that the affordable units within a mixed income development will be equal in square footage and comparable to the market rate units, and
- Comply with the City's zoning, land development and other housing policies and regulations.

Eligible rehabilitation development projects include activities that are major in scope including but not limited to: structural, mechanical and electrical repairs, roof, windows, doors and work required when it has been determined that the useful life of a system is five years or less and projects where rehabilitation is needed to make the units habitable. Repairs such as painting, replacing floor covering, and trim work are only eligible when they are part of a larger scope of rehabilitation.

The following criteria are applicable to proposals for rehabilitation that plan to utilize LIHTCs:

- Housing units must have been placed in service on or before December 31, 2005,
- Require rehabilitation expense more than \$25,000 per unit,
- Acquisition cost may not exceed 60% of the total replacement costs,
- Property owner must not have begun or completed a full debt restructuring under the Market to Market process (or any similar HUD program) within last five years,
- Property should not have deteriorated to the point of requiring demolition, and
- The City reserves the right to adjust its loan/grant policies and guidelines as needed to address changing market demands and the priorities of the City.

### **C. Types of developments:**

The City will support new construction and rehabilitation of rental and homeownership units of the following types (includes the associated costs for on-site infrastructure and acquisition):

- Multi-Family Construction/Rehabilitation
- Single-Family or townhome-styled Homeownership
- Supportive Housing (Special Needs Housing i.e. elderly, homeless, and disabled)

#### **D. Community Outreach Process:**

Developers must inform the City Council district representative for the proposed development and convene a minimum of two community engagement meetings to address questions about the proposed development (See Submittal Checklist Section G for details). Given the COVID-19 pandemic, the community meetings can be held virtually. The City believes that multiple community engagement opportunities and focused marketing provides the best outcome for information and inclusion for the general public.

Proposals must include an Outreach and Marketing Plan. Developers are required to notify all residential property owners within 300 feet of the site, and all neighborhood organizations from the City's Neighborhood Organization Contact List that are within a mile from the proposed development site ([charlottenc.gov/nocl](http://charlottenc.gov/nocl)). City Staff will notify affordable housing advocates of the community meeting. Meeting notices must be sent at least two weeks prior to scheduled meetings and be held no earlier than 6:00 pm. Developers must document any concerns raised at the meeting and describe their plans to address these concerns. The meeting must be held prior to the date when the proposals are presented to City Council for approval. Developers must provide evidence that all required community outreach criteria have been met, as set forth in the Housing Trust Fund/Charlotte Housing Opportunity Investment Fund Proposal Submittal Checklist.

## **SECTION II: LOAN/GRANT ELIGIBILITY CRITERIA**

### **A. Eligible Developers**

The City's affordable housing funding programs are designed to provide gap financial to non-profit and for-profit affordable housing development entities.

## **SECTION III: FUNDING GENERAL CONDITIONS**

### **A. Funding Amount**

Funding amounts may vary based on the following:

- Number of housing units being developed;
- Leverage ratio of the project; and
- Available City housing development funds.

The City will also consider the needs of the project, the experience of the developer and any associated risk in the project. The City reserves the right to adjust the maximum funding amount to any borrower on a case-by-case basis.

The source of funds may impose additional restrictions on the borrower.

## **B. Interest Rates, Financing Terms and Repayment Structure**

The following are *general guidelines* and the City reserves the right to adjust the terms of funding on a case-by-case basis based on changes in conventional lending and other financing sources.

The City's funding is generally in the form of soft "gap" financing. To allow for future investment in affordable and workforce housing, the City seeks to achieve a return of capital and where possible a reasonable return on investment based on the financing features of each Proposal. The City allows flexibility for creativity by development teams by establishing funding terms based on the financial structure of each development.

Funding in the form of loans may range from 20-years non-amortizing, deferred at 0% interest, to 20-year, amortizing loans at the Long Term Applicable Federal Rate (AFR) based on a financial analysis of the development project. A key tool used to perform the financial analysis is the Debt Coverage Ratio (DCR). Projects with a DCR greater than or equal to 1.25 will be considered for a fully amortizing loan with a corresponding rate that either achieves a DCR of 1.15 or the maximum Long-Term AFR. Other DCR features are as such:

- Projects that have a DCR of less than 1.25 will be considered for interest only loans. The interest rate will be set at a percentage rate that will achieve a DCR of 1.15.
- Projects that are submitted at a DCR of 1.15 will be considered for a deferred cash flow contingent loan.
- Grants are considered when a project serves a substantially underserved population.
- A project with a DCR greater than 2.0, after the proposal of a fully amortizing loan at the Long Term AFR will be considered over subsidized. The proposal will be reduced to achieve a DCR of 1.75. This may result in the proposal request being reduced to zero. Projects of this nature are candidates for private financing.

## **C. Collateral**

The City prefers to take or share a first lien position on assets financed with its loan proceeds. The City will accept a second or third lien position (subject to the amount of the loan funds financed by the City) in its sole discretion.

## **SECTION IV: Funding Underwriting Criteria**

The following minimum financial underwriting criterion applies to all projects.

### **A. Rental Housing Development**

Proposals are considered on a competitive basis. City staff will analyze Proposals based upon the following:

#### **Project Feasibility**

- *Revenue Stability and Reliability* – May include project-based assistance, below-market rent (e.g. tax credit multi-family projects).
- *Operating and Financial Risk* – As indicated by the debt service coverage and break-

even occupancy. The City seeks projects with a desirable debt service coverage ratio of *at least 1:15 for the term of any debt financing*. In addition, the City seeks projects with a desirable break-even occupancy that is lower than 85%.

<b>Debt Service Coverage</b>	<b>Break-Even Occupancy</b>	<b>Risk</b>
Greater than 1.30	Less than 70%	Low
1.10 to 1.30	70% to 85%	Medium
Less than 1.10	Greater than 85%	High

The City may consider project submissions outside of the operating and financial risk guidelines as stated above. Consideration however will be given based on the number of affordable and workforce units, income limit served, projects ability to meet the City's goals and the overall viability of the project. A debt service coverage ratio as low as 1.10 will be considered for projects with at least 20% of the units serving households earning 40% and below AMI and other underserved households. A fixed interest rate is encouraged for other project debts; however, a maximum interest rate must be applied for variable rates.

- *Sound Property Management* – Ensures a successful multi-family project. A strong track record for the property manager includes; low collection loss, low vacancy rate compared to similar projects, operating within budget, development and implementation of an effective maintenance program, and establishment of operating policies and procedures. The property manager should have familiarity with the various funding sources for affordable housing development and rental subsidies. Additionally, the City has established the following property management guidelines:

Assisted multi-family housing developments over 25 units must have an on-site office and provide management personnel as outlined below:

<b><u>Size of Development</u></b>	<b><u>Minimum Requirements</u></b>
25 - 50 units	20 hours per week
51 - 75 units	30 - 40 hours per week
76 - 100 units	40 hours per week with on-site Resident employee or 80 hours per week

Any management agent found to have implemented a rent increase on an existing tax credit property without the required North Carolina Housing Finance Agency approval may be prohibited from serving as management agent for an application

- *Project Reserves* – Project and/or replacement reserves funded from the development budget or deducted monthly from cash flow are indicators of the sustainability of the project. The City has the following guidelines regarding

replacement reserves:

- New Construction Minimum-\$250 per unit (per year)
- Rehabilitation Minimum \$350 per unit (per year)

The replacement reserves must be capitalized from the project's operations. An annual increase of 4% is preferred.

- *Market and other External Factors* – A market feasibility analysis report is required as part of the submission. The market analysis at a minimum should include:
  - *Location and Neighborhood Information* (project description, neighborhood characteristics, shopping, school, etc.);
  - *Socio-Economic and Demographic Development* (economic context, growth trends, demographic and income characteristics);
  - *Competitive Analysis* (housing stock for the area, rental and for-sale markets, proposed developments). The report should also detail findings and a conclusion and address project feasibility, an analysis of affordability, and the demand and estimated absorption. Market studies prepared by the North Carolina Housing Finance Agency that meet City requirements will be accepted.
- *Repayment Plan* – must be demonstrated by project proforma, cash flow statements, and development budget and project timeline.
- *Loan Underwriting Minimum Standards* – based on current market conditions:
  - Vacancy rate – 7%
  - Annual rent increase – 2%
  - Annual operating expense and replacement reserve annual increase – 3%
  - Operating expenses (*new construction*) – \$3,600 to \$4,000 per unit per year, not including taxes, reserves and residential support services.
  - Operating expenses (*rehabilitation*) – \$3,800 to \$4,200 per unit per year, not including taxes, reserves and residential support services.
- *Rent-Up Reserves* – Should not be less than \$300 per unit. These funds should be available to the management agent to pay rent-up expenses incurred more than budgeted rent-up expenses in the project development costs. The funds are to be deposited in a separate bank account and evidence of such transaction provided to the City 90 days prior to the date the project is expected to be placed in service. All funds remaining in the rent- up reserve at the time the project reaches 93% occupancy must be transferred to the project operating reserve account.
- *Operating Reserves* – Will be based on six months (four months for tax-exempt bond projects) debt service and operating expenses, and must be maintained for one full calendar year starting at the point that the 1:15 debt service coverage ratio is achieved (or as low as 1:10 for projects in which at least 20% of the units serve households earning 40% and below AMI). The City must approve any withdrawals

from the operating reserves account to meet the project's operating deficits that exceed \$5,000 in aggregate during any three-month period. Withdrawals from the operating reserve account must be replaced to maintain the initial required funds as reflected in the City's loan agreement.

- *Developer Fees* – can be loaned to a project to cover a gap. Repayment projections for loans must not negatively impact the operations of the project. If applicable, a resolution from the Board of Directors allowing such a loan to the project must be provided.
- *Project Contingency Funding* – new construction projects should have a hard cost contingency line item of at least 5% of the total hard costs (including general requirements, builder profit and overhead). Rehabilitation projects should have a hard cost contingency line item of at least 10% of the total hard costs.
- *Architects Fees* – The architect's fees, including design and inspection fees, shall be limited to three percent (3%) of the total hard costs plus general requirements, overhead, profit and construction contingency.

## **B. For Multi-Family Housing Developments**

### **1. Proposed Collateral**

The ratio of the First Mortgage loan amount to the appraised value (LTV) – including the lien position and soft costs – is used as a guideline for risk rating as noted below:

<b>LTV</b>	<b>Risk</b>
Less than 70%	Low
70% to 85%	Medium
Greater than 85%	High

### **2. Development Team Qualifications**

The Development Team must demonstrate that the project can be developed within the proposed market, evidenced by the Development Team's:

- Track record, including whether the team has successfully completed and/or operated a similar type project or a project of similar scope and size.
- Composition - An experienced development team improves the likelihood of a successful project. Development team members could include, but not be limited to, developer, project manager, engineer, architect, property manager, development consultant, land planner, accountant, attorney and marketing agent. The experience and capacity of the development team should be consistent with the size and complexity of the development.
- Credit report/history and performance history with the City of Charlotte. If the borrower has outstanding projects with the City of Charlotte, a detailed list of

projects and their status should be provided.

- Financial statements prepared by an accountant for the current year and audited statements for the previous year.
- Operating Reserves – enough financial capacity to provide stability for the organization in the event of unanticipated adverse developments.
- Management Capacity/Experience including the following:
  - Experienced key personnel (an experienced staff improves the likelihood of a successful project).
  - Management structure and decision-making.
  - Board of Directors – project risk is reduced when the borrower’s Board is actively involved and able to understand and contribute to the project’s successful development and operation. Expertise in related professional disciplines such as real estate, business, law, urban planning, and architecture are considered valuable.
  - Property management experience – number of units managed; years of experience; and the number of affordable units managed. (Addresses and site contact persons should be provided to allow for site visits.)
  - Diversity inclusion efforts and successes in the last five (5) years.

## **SECTION V: LOAN/GRANT CLOSING PROCEDURES**

### **A. Financing Commitment Letter**

Upon final loan/grant approval, the City of Charlotte will prepare a written loan/grant commitment letter. The funding commitment letter will specify the following as applicable:

- Interest rate of the loan (if applicable)
- Frequency of payments
- Amount of each payment
- Term to maturity and amortization schedule
- Collateral to be secured (and lien position)
- Total loan amount
- Use of loan proceeds
- Insurance requirements
- Reporting requirements
- Period of affordability
- Special conditions (project schedule)
- Expiration date of the loan commitment
- Projected draw schedule



- Construction start date
- Required reserves, (project, rent-up and operating reserves)

The Development Team must countersign the commitment letter to affirm agreement with the terms and conditions offered. The commitment letter must be executed and received by the City within 60 days of the date of the commitment letter. Once the commitment is signed the City will prepare for loan closing. The funding commitment expires as specified within the commitment letter.

## **B. Requests for Extensions**

The loan commitment expiration date may be extended in the City's sole discretion with a formal written request. Extension request letters must be submitted to City Staff within thirty (30) days of the commitment letter expiration date. The letter should include the reason for the extension and a revised project schedule. Subject to approval, a six-month extension may be granted.

## **C. Loan Documents**

Upon receipt of a signed commitment letter from the borrower, the City's legal counsel will prepare the loan documents, which may include the following for loans that will be secured by real property:

- Loan agreement
- Deed of Trust
- A Promissory Note
- Security agreement
- UCC-1 financing requirement

It is the expectation of the City that the financial projections (proformas) submitted by the Developer to the City will not be materially different from the proforma submitted to other funding sources. Should this occur, the City reserves the right to deem the action as a default. In the event of default, the City reserves the right to adjust the financing based on the changes in the proforma or cancel its funding commitment for the project. The City also reserves the right to request funding Proposals from the other funding sources. City funds are not available for closing.

# **SECTION VI: REPORTING AND MONITORING**

## **A. Reporting**

The Developer is required by the loan/grant agreement to submit, at the City's discretion, quarterly and/or annual reports in a format determined by the City. The Developer must provide the following during the term of the loan/grant:

- Copies of all certificates of occupancy and final cost certification;
- Payment if stipulated in the loan agreement;

- Copy of the annual audit conducted by an independent audit firm within 120 days of the end of its fiscal year end;
- Insurance certificate in which the City is the named as an insured;
- Any material changes in governance or management;
- Any other debt or borrowing, for this project or any project;
- Any change or loss in property and casualty insurance; and
- Any pending legal action and their assessment of the impact of such action.

## **B. Compliance Monitoring**

The City will conduct inspections of developments in its loan/grant portfolio during the period of affordability. Failure to adhere to the required compliance monitoring could result in penalties and the City demanding full payment of the outstanding loan/grant amount. While the loan/grant agreement will indicate specific requirements, the compliance monitoring review will include, but not be limited to, the following:

- Verification of compliance with the loan/grant conditions;
- Physical inspection of the property secured by the loan/grant (including photographs);
- Evaluation of tenants' files to ensure compliance. The review will include income verification, leases, rents, units, etc.; and
- Review of borrower's audited financial statements and the financial performance of the project.

To verify compliance with property standards and the information submitted on tenants' incomes, rents and other rental requirements during the project's period of affordability, the City will conduct on-site inspections based on the number of funded units.

The inspection schedule is as follows:

<b>Number of City Funded Units Per Project</b>	<b>Inspection Required</b>
1 – 25	Every 2 Years
26 or more units	Annually

The Developer should maintain the following records:

- Documentation to back-up rent and utility allowance calculations.
- Tenant files that include documentation necessary to demonstrate that an income- eligible tenant properly occupies each City funded unit.
- Documentation that includes the tenant's Proposal, initial income verification documents, subsequent income recertification documents and the tenant's lease.

## **C. Periods of Affordability**

For homeownership and rental developments, the affordability period depends on the

amount of City investment in the property and the nature of the funded activity. Developments exceeding the affordability standards will be given additional consideration. The table below provides the minimum affordability periods.

<b>Activity</b>	<b>Average Per Unit Investment</b>	<b>Minimum Affordability Period</b>
Rehabilitation or Acquisition of Existing Housing	Any dollar amount	20 years
Refinance of Rehabilitation Project	Any dollar amount	20 years
New Construction or Acquisition of New Housing	Any dollar amount	20 years

**City of Charlotte**

**Housing Trust Fund**

**Request for Proposals Guidelines – Homeownership**

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## **SECTION I: GOALS AND GENERAL REQUIREMENTS**

The City of Charlotte (“The City”) is committed to creating diverse and inclusive neighborhoods. One method of creating these types of neighborhoods is helping to ensure that safe, decent and affordable housing is available for low and moderate-income households.

Homeownership is one of the key factors in neighborhood preservation and purchasing a home is one of the largest investments many families will ever make. Due in part to rapid population growth, average and median home prices in the Charlotte area are greater than they were at the height of the housing boom. A downward trend in the inventory of homes has adversely impacted the availability of homes for low and moderate-income families. Expanding the supply of high quality, safe, and affordable owner-occupied homes is identified as one of the three pillars in the Housing Charlotte Framework. The purpose of Housing Trust Fund (HTF) homeownership gap financing is to incentivize and assist developers in the production of affordable homeownership for low and moderate-income households.

### **Goals:**

The City’s Housing Policy embraces the following national goals established by the United States Department of Housing and Urban Development, and aligns with the City Council priorities as set forth in the Housing Charlotte Framework which supports the creation and preservation of safe and decent housing for low and moderate-income households:

- Provide decent and affordable housing,
- Provide a suitable living environment, and
- Expand economic opportunities to benefit low and moderate-income households.

### **General Requirements:**

The City’s HTF is one of its funding sources for affordable housing. The HTF provides funding for the development of new construction affordable homeownership housing. The HTF seeks to leverage public and private homeownership development financing which targets households earning 80% and below the Area Median Income (“AMI”). Homebuyers will be eligible for existing home purchase programs. The City considers the following when evaluating proposals for affordable housing development loans and grants:

- Public purpose (but for the City investment, the project would not be feasible for the targeted income group);
- Ability of the proposed development to help achieve the City’s affordable housing policies and goals;
- Financial feasibility;
- Developer’s capability and experience;
- Site location; and
- Construction for the proposed development must commence within 12 months from the date of the HTF award closing, and must be completed with 3 years of the HTF award

closing;

- Number of affordable housing units and targeting of incomes;
- Long-term affordability;
- For townhome-styled developments a Homeownership Association (HOA) must be created and reserves must be funded. The creation of the HOA must be approved by the City;
- Community impact and support, and
- Completeness of proposal (incomplete Proposals will not be considered).

To ensure City-financed affordable housing developments adhere to the City's affordable housing goals, each affordable housing development must:

- Maintain the affordability of units using long-term deed restrictions. The minimum length of the affordability period will be 15 years;
- Consist of a minimum of 5 units;
- Ensure that the affordable units within a mixed income development will be comparable to the market rate units; and
- Comply with the City's zoning, land development and other housing policies and regulations.

**Types of development projects:**

The City will support new construction units of the following types (includes the associated costs for on-site infrastructure and acquisition):

- Single-Family detached;
- Townhome-styled (Must include the establishment of a HOA)

**Community Outreach Process:**

Developers must inform the district City Council representative for the proposed development and convene a minimum of two COVID-19 Compliant community meetings to address questions about the proposed development (See Submittal Checklist Section G for details). Given the COVID-19 pandemic, the community meetings can be held virtually. The City believes that multiple community engagement opportunities and focused marketing provides the best outcome for information and inclusion for the general public.

Proposals must include an Outreach and Marketing Plan. Developers are required to notify all residential property owners within 300 feet of the site, and all neighborhood organizations from the City's Neighborhood Organization Contact List that are within a mile from the proposed development site ([charlottenc.gov/nocl](http://charlottenc.gov/nocl)). City Staff will notify affordable housing advocates of the community meeting. Meeting notices must be sent at least two weeks prior to scheduled meetings and be held no earlier than 6:00 pm. Developers must document any concerns raised at the meeting and describe their plans to address these concerns. The meeting must be held prior to the date when the proposals are presented to City Council for approval. Developers must provide evidence that all required community outreach criteria have been met, as set forth in the Housing Trust Fund/Charlotte Housing Opportunity Investment Fund Proposal Submittal Checklist.

## SECTION II: LOAN/GRANT ELIGIBILITY CRITERIA

### Eligible Developers

The City's affordable housing funding programs are designed to provide gap financing to non-profit and for-profit affordable housing development entities.

## SECTION III: FUNDING GENERAL CONDITIONS

### Funding Amount

Funding amounts may vary based on the following:

- Number of homeownership housing units being developed;
- The inclusion of other City resources such as land and Federal funding sources; and
- Availability of HTF funds.

#### HTF award limits:

- The maximum award to anyone funding request will be as follows:

Funding Source*	No City land or Federal Funding	HTF & City Land	HTF & Federal Funds
HTF Limit	<ul style="list-style-type: none"><li>• \$32k per unit</li><li>• Maximum of \$1.1M</li></ul>	<ul style="list-style-type: none"><li>• \$22k per unit</li><li>• Maximum of \$800k</li></ul>	<ul style="list-style-type: none"><li>• \$22k per unit</li><li>• Maximum of \$800k</li></ul>

***\*A maximum of two housing awards (Regardless to whether rental or homeownership) will be made to any one principal or co-developer***

### Interest Rates, Financing Terms and Repayment Structure

The following are *general guidelines* and the City reserves the right to adjust the terms of funding on a case-by-case basis based on changes in conventional lending and other financing sources.

The City's funding is generally in the form of soft "gap" financing and can be structured as:

- A 0% non-amortizing loan with a term of 1 to 3 years;
- A 0% non-amortizing forgivable loan; and
- A grant if the project serves a substantially low and underserved AMI household.

### Development Team Qualifications

The Development Team must demonstrate that the project can be developed within the proposed market, evidenced by the Development Team's:

- Track record, including whether the team has successfully completed a similar type project or a project of similar scope and size.
- Composition - An experienced development team improves the likelihood of a successful project. Development team members could include, but not be

limited to, developer, project manager, engineer, architect, land planner, accountant, attorney and marketing agent. The experience and capacity of the development team should be consistent with the size and complexity of the development.

- Credit report/history and performance history with the City of Charlotte. If the developer has outstanding projects with the City of Charlotte, a detailed list of projects and their status should be provided.
- Financial statements prepared by an accountant for the current year and audited statements for the previous year.
- Operating Reserves – enough financial capacity to provide stability for the organization in the event of unanticipated adverse developments.
- Management Capacity/Experience including the following:
  - Experienced key personnel (an experienced staff improves the likelihood of a successful project).
  - Management structure and decision-making.
  - Board of Directors – project risk is reduced when the borrower's Board is actively involved and able to understand and contribute to the project's successful development and operation. Expertise in related professional disciplines such as real estate, business, law, urban planning, and architecture are considered valuable.
  - Property marketing experience – number of units marketed years of experience; and the number of affordable units sold
  - Diversity inclusion efforts and successes in the last five (5) years.

## **SECTION V: LOAN/GRANT CLOSING PROCEDURES**

### **Financing Commitment Letter**

Upon final loan/grant approval, the City of Charlotte will prepare a written loan/grant commitment letter. The funding commitment letter will specify the following as applicable:

- Term to maturity and amortization schedule
- Collateral to be secured (and lien position)
- Total loan amount
- Use of loan proceeds
- Insurance requirements
- Reporting requirements
- Period of affordability
- Special conditions (project schedule)
- Expiration date of the loan commitment
- Projected draw schedule



- Construction start date

The Development Team must countersign the commitment letter to affirm agreement with the terms and conditions offered. The commitment letter must be executed and received by the City within 60 days of the date of the commitment letter. Once the commitment is signed the City will prepare for loan closing. The funding commitment expires as specified within the commitment letter.

### **Requests for Extensions**

The loan commitment expiration date may be extended in the City's sole discretion with a formal written request. Extension request letters must be submitted to City Staff within thirty (30) days of the commitment letter expiration date. The letter should include the reason for the extension and a revised project schedule. Subject to approval, a six-month extension may be granted.

### **Loan Documents**

Upon receipt of a signed commitment letter from the borrower, the City's legal counsel will prepare the loan documents, which may include the following for loans that will be secured by real property:

- Loan agreement
- Deed of Trust
- A Promissory Note
- Security agreement
- UCC-1 financing requirement

It is the expectation of the City that the financial projections (proformas) submitted by the Developer to the City will not be materially different from the proforma submitted to other funding sources. Should this occur, the City reserves the right to deem the action as a default. In the event of default, the City reserves the right to adjust the financing based on the changes in the proforma or cancel its funding commitment for the project. The City also reserves the right to request funding Proposals from the other funding sources. City funds are not available for closing.

## **SECTION VI: REPORTING AND MONITORING**

### **Reporting**

The Developer is required by the loan/grant agreement to submit, at the City's discretion, quarterly and/or annual reports in a format determined by the City. The Developer must provide the following during the term of the loan/grant:

- Copies of all certificates of occupancy and final cost certification;
- Payment if stipulated in the loan agreement;
- Copy of the annual audit conducted by an independent audit firm within 120 days of the

end of its fiscal year end;

- Insurance certificate in which the City is the named as an insured;
- Any material changes in governance or management;
- Any other debt or borrowing, for this project or any project;
- Any change or loss in property and casualty insurance; and
- Any pending legal action and their assessment of the impact of such action.

# **Local Initiative Support Corporation Charlotte Housing Opportunity Investment Fund Investment Guidelines**

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## **CHOIF Investment Guidelines: Equity**

<b>Source</b>		<b>Charlotte Housing Opportunity Investment Fund</b>
<b>Category</b>		<b>Equity (only available for non-LIHTC projects), either:</b> <ul style="list-style-type: none"> <li>○ Preferred Equity</li> <li>○ Common Equity</li> </ul>
<b>Limited Partner</b>		<b>CHOIF</b>
<b>Eligible Partners</b>		<b>Nonprofit or for-profit entities</b>
<b>AMI Targeting</b>		<ul style="list-style-type: none"> <li>○ Project demonstrates high quality units for all income levels</li> <li>○ Project should target 50% of units at 80% AMI or below. Preference will be given to projects with deeper affordability.</li> <li>○ Developer must agree to income averaging in 4% LIHTC projects</li> <li>○ Developer must agree to accept voucher holders (no discrimination of income source)</li> </ul>
<b>Geographic Targeting</b>		<b>Geographic diversity will be considered to increase affordable housing choice, with preference for Opportunity Areas</b>
<b>Maximum CHOIF Investment Amount</b>		<b>up to \$3 million per project (CHOIF's maximum investment amount is dependent on the total size of the fund. Up to \$10m will be expended for July 2021 RFP, however, additional funding may be available at the discretion of CHOIF. )</b>
<b>Loan Type</b>		<ul style="list-style-type: none"> <li>○ Acquisition</li> <li>○ Construction</li> </ul>
<b>IRR</b>		<b>Up to a 5% Internal Rate of Return</b>
<b>Repayment</b>		<b>Refinance after the end of the senior lender term or a forced put option to the General Partner before the fund's life expires</b>
<b>Equity Requirement</b>		<ul style="list-style-type: none"> <li>○ Preferred Equity: 5% required equity investment from Developer</li> <li>○ Common Equity: 10% required equity investment from Developer</li> </ul>
<b>Vacancy Rate</b>		<b>Projects underwritten to minimum of 5% vacancy rate</b>
<b>Origination Fee</b>		<b>NA</b>
<b>Reversion Valuation</b>		<b>70% LTV and Cap Rate of 6% on forward Net Operating Income</b>
<b>Developer Fee</b>		<b>Developer fee may not exceed 7% of eligible development costs</b>
<b>General Underwriting Criteria</b>		<ul style="list-style-type: none"> <li>○ Project Analysis: Analysis of loan opportunity, sponsor, partners, and project cash flow</li> <li>○ Leadership and Staff Analysis: Analysis of the sponsor's staff should demonstrate adequate qualifications, skills, and capacity to successfully complete and manage proposed project</li> <li>○ Market Study: Acceptable independent market analysis completed no longer than 6 months before anticipated closing</li> <li>○ Moderate Rehab: Acceptable Capital Needs Assessment (CNA) &amp; 15 yr. replacement reserve study</li> </ul>

	<ul style="list-style-type: none"> <li>○ If project has commercial income, it is not relied upon to pay senior lender debt; such commercial component must be priced at or below market per square foot</li> <li>○ Trending Spread: At least 1% (minimum 2% trending on income and 3% trending on expenses)</li> <li>○ Operating Expenses: Must be supported by at least 3 acceptable operating comparables.</li> <li>○ Documenting eligibility for tax abatement (if applicable)</li> <li>○ Management Fee: not more than 5% of net rental income</li> </ul>
<b>Guarantees</b>	<b>Construction Completion Guaranty:</b> GP will provide construction completion guaranty and environmental indemnification for the LP or Preferred Investor
<b>Reserves</b>	<ul style="list-style-type: none"> <li>○ <b>Construction Contingency:</b> minimum 10% Rehab, 5% New Construction</li> <li>○ <b>Capitalized Operating Reserves:</b> 6 months of 1st year's operating expenses, debt</li> <li>○ <b>Lease Up Reserve or Revenue Deficit Reserve (if applicable):</b> For negative trending DCR, reserve to be sized based on providing minimum DCR</li> </ul>
<b>Guarantor Financial Measures</b>	<ul style="list-style-type: none"> <li>○ <b>Current Ratio:</b> 1.2:1 or higher</li> <li>○ <b>Quick Ratio:</b> 0.5:1 or higher</li> <li>○ <b>90 days or more unrestricted cash on hand</b></li> <li>○ <b>Debt/Net Assets &lt;4:1</b></li> <li>○ <b>Total Liabilities/Net Assets &lt;5:1</b></li> </ul>
<b>CHOIF Legal Fee</b>	<ul style="list-style-type: none"> <li>○ <b>Preferred Equity:</b> capped at \$15,000</li> <li>○ <b>Common Equity:</b> deal contribution</li> </ul>
<b>Third Party Reports</b>	<p>The following reports are required at submission or during the senior lender due diligence period:</p> <ul style="list-style-type: none"> <li>○ Appraisal</li> <li>○ ALTA</li> <li>○ Environmental site assessment</li> <li>○ Structural engineer's report</li> <li>○ Property Condition Assessment (if applicable)</li> </ul>
<b>Reporting</b>	<p><b>Partner will submit any or all the following information, post-closing, throughout the investment term at a minimum:</b></p> <ul style="list-style-type: none"> <li>○ Project status updates</li> <li>○ Impact data regarding affordability</li> <li>○ Mortgage Documents</li> <li>○ Property Management, monthly property financials, including rent rolls</li> <li>○ Annual Audits</li> </ul>
<b>Displacement Restrictions</b>	In the event the borrower/developer exits the investment and converts the project to a market-rate project, the net present value of the difference between market-rate rent and affordable-rate rent for each unit shall be discounted by 5% over the remaining term of the investment, and such amount shall be paid to an escrow fund to help displaced residents.
<b>Lock-Out Period</b>	<b>Up to 10 years on Preferred Equity</b>

## **CHOIF Investment Guidelines: Subordinate Debt**

<b>Source</b>	<b>Charlotte Housing Opportunity Investment Fund</b>
<b>Category</b>	<b>Subordinate debt</b>
<b>Eligible borrowers</b>	<b>Nonprofit or for-profit entities</b>
<b>AMI Targeting</b>	<ul style="list-style-type: none"> <li>○ Project demonstrates high quality units for all income levels</li> <li>○ Project should target 50% of units at 80% AMI or below. Preference will be given to projects with deeper affordability.</li> <li>○ Developer must agree to income averaging in 4% LIHTC projects</li> <li>○ Developer must agree to accept voucher holders (no discrimination of income source)</li> </ul>
<b>Geographic Targeting</b>	<b>Geographic diversity will be considered to increase affordable housing choice, with preference for Opportunity Areas</b>
<b>Maximum CHOIF Investment Amount</b>	<b>up to \$3 million per project (CHOIF's maximum investment amount is dependent on the total size of the fund. Up to \$10m will be expended for July 2021 RFP, however, additional funding may be available at the discretion of CHOIF.)</b>
<b>Uses of Proceeds</b>	<ul style="list-style-type: none"> <li>○ Acquisition</li> <li>○ Construction</li> <li>○ Construction to Perm</li> </ul>
<b>Loan to Value</b>	<b>Up to 95%</b>
<b>Interest Rate</b>	<b>Up to 3.75%</b>
<b>Maximum loan term</b>	<b>Up to 18 years</b>
<b>Debt Service Coverage Ratio</b>	<b>Minimum stabilized DSCR of 1.10x</b>
<b>Repayment</b>	<b>Interest-only or combination of interest-only/amortization.</b>
<b>Security</b>	<b>CHOIF will evaluate ability to take a second lien position. CHOIF will <u>not</u> subordinate to soft subsidies such as public subsidies or other CDFI or grant financing. CHOIF may consider an unsecured position.</b>
<b>Recourse</b>	<b>Recourse to the borrower or sponsor, subject to CHOIF's underwriting</b>
<b>Equity Requirement</b>	<b>Minimum 5% required equity investment from Developer</b>
<b>Vacancy Rate</b>	<b>Projects underwritten to minimum of 5% vacancy rate</b>
<b>Origination Fee</b>	<b>1% paid at closing</b>
<b>Exit Analysis Requirements</b>	<b>LTV of 70% and Cap Rate of 6% on forward Net Operating Income</b>
<b>Developer Fee</b>	<b>Developer fee may not exceed 7% of eligible development costs</b>

<b>General Underwriting Criteria</b>	<ul style="list-style-type: none"> <li>○ <b>Project Analysis:</b> Analysis of loan opportunity, sponsor, partners, and project cash flow</li> <li>○ <b>Leadership and Staff Analysis:</b> Analysis of the sponsor's staff should demonstrate adequate qualifications, skills, and capacity to successfully complete and manage proposed project</li> <li>○ <b>Market Study:</b> Acceptable independent market analysis completed no longer than 6 months before anticipated closing</li> <li>○ <b>Moderate Rehab:</b> Acceptable Capital Needs Assessment (CNA) &amp; 15 yr. replacement reserve study</li> <li>○ If project has commercial income, it is not relied upon to pay senior lender debt; such commercial component must be priced @ or below market per square foot.</li> <li>○ <b>Trending Spread:</b> At least 1% (minimum 2% trending on income and 3% trending on expenses)</li> <li>○ <b>Operating Expenses:</b> Must be supported by at least 3 acceptable operating comparables</li> <li>○ <b>Eligibility for tax abatement</b> documented (if applicable)</li> <li>○ <b>Property Management Fee:</b> not less than 5% of net rental income</li> </ul>
<b>Guarantees</b>	<p><b>Guarantors:</b></p> <ul style="list-style-type: none"> <li>○ <b>Nonprofit:</b> parent entity named as guarantor</li> <li>○ <b>For-profit sponsor:</b> guarantee from the principals (personal guaranty) or a corporate guaranty, subject to CHOIF's review of financials</li> </ul> <p><b>Completion Guaranty:</b> Unlimited</p>
<b>Reserves</b>	<ul style="list-style-type: none"> <li>○ <b>Construction Contingency:</b> minimum 10% Rehab, 5% New Construction</li> <li>○ <b>Capitalized Operating Reserves:</b> 6 months of 1st year's operating expenses, debt, and replacement reserves</li> <li>○ <b>Lease Up Reserve or Revenue Deficit Reserve:</b> If warranted. For negative trending DSCR, reserve to be sized based on providing minimum DSCR</li> <li>○ <b>Annual Contribution to Replacement Reserves:</b> <ul style="list-style-type: none"> <li>• New construction = \$250/unit;</li> <li>• Rehab= Min \$300; 3-4 bedroom units = Min \$350/ unit</li> </ul> </li> <li>○ Reserve deposit to be increased annually by the expense trend average</li> </ul>
<b>Guarantor Financial Measures</b>	<ul style="list-style-type: none"> <li>○ <b>Current Ratio:</b> 1.2:1 or higher</li> <li>○ <b>Quick Ratio:</b> 0.5:1 or higher</li> <li>○ <b>90 days or more unrestricted cash on hand</b></li> <li>○ <b>Debt/Net Assets &lt;4:1</b></li> <li>○ <b>Total Liabilities/Net Assets &lt;5:1</b></li> </ul>
<b>Legal Fee</b>	<b>Capped at \$15,000, paid by borrower</b>
<b>Third Party Reports</b>	<p>The following reports may be required at submission but shall be required no later than during the senior lender due diligence period:</p> <ul style="list-style-type: none"> <li>○ Appraisal</li> <li>○ Environmental site assessment</li> <li>○ Structural engineer's report</li> <li>○ Physical Needs Assessment</li> <li>○ ALTA</li> </ul> <p><i>Borrower to pay for all expenses related to Third Party Reports</i></p>
<b>Loan Conditions/ Covenants</b>	<b>Affordability covenants and requirements will be enforced throughout the term of CHOIF's investment.</b>
<b>Financial Reporting</b>	<p><b>Borrowers will submit any or all the following information, post-closing, throughout the loan term:</b></p> <ul style="list-style-type: none"> <li>○ Borrower financial information</li> <li>○ Guarantor financial information, as applicable</li> </ul>

	<ul style="list-style-type: none"> <li>○ Project status updates</li> <li>○ Loan compliance with financial covenants</li> <li>○ Impact data regarding affordability</li> <li>○ Property Financials including rent rolls</li> <li>○ Annual Audits</li> </ul>
<b>Pre-Payment Penalty</b>	<b>The loan does not carry a pre-payment penalty, but the loan has a lock-out provision of up to 10 years.</b>
<b>Displacement Restrictions</b>	<b>In the event the borrower/developer exits the investment and converts the project to a market-rate project, the net present value of the difference between market-rate rent and affordable-rate rent for each unit shall be discounted by 5% over the remaining term of the investment, and such amount shall be paid to an escrow fund to help displaced residents.</b>



# Submittal Checklist for HTF and CHOIF Proposals

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**Submittal Checklist for use with  
Housing Trust Fund Proposals and  
Charlotte Housing Opportunity Investment Fund Proposals**

The following checklist must be included with all Proposal submissions. Applicants should carefully review all submission requirements to ensure that submitted Proposals are complete. All complete Proposals (including all attachments) must be submitted via drop box or some other approved electronic method. Only one application per request is required. Application materials should be organized by sections and labeled accordingly (sections are listed below). No application fee is required.

Applicant: \_\_\_\_\_  
Project: \_\_\_\_\_  
Project Address: \_\_\_\_\_

		<b>CITY USE ONLY</b>	
<b>ITEMS TO BE SUBMITTED (in separate sections)</b>	<b>Check if Enclosed</b>	<b>Complete</b>	<b>Not Complete</b>
<b>SECTION A – Funding Application</b>			
Affordable Housing Funding Application			
NCHFA Preliminary Tax Credit Application (if applicable)			
<b>SECTION B – Applicant Information</b>			
<b>Description of Applicant’s expertise in developing and operating affordable housing developments</b>			
Developer’s track record with similar developments			
Development team experience			
Property management experience with similar developments			
<ul style="list-style-type: none"> <li>Minimum of three references that can speak directly to the applicant’s development experience</li> </ul>			
<b>Financial Statements prepared by a certified accountant</b>			
<ul style="list-style-type: none"> <li>Current year financial statement</li> </ul>			
<ul style="list-style-type: none"> <li>Previous two years financial statements</li> </ul>			
<ul style="list-style-type: none"> <li>Most recent independent audit</li> </ul>			
<ul style="list-style-type: none"> <li>Auditor’s management letter</li> </ul>			
<ul style="list-style-type: none"> <li>Form 990 (current &amp; prior year if applicable)</li> </ul>			
<ul style="list-style-type: none"> <li>Verification that all state and federal taxes are current (including IRS withholdings)</li> </ul>			

		CITY USE ONLY	
ITEMS TO BE SUBMITTED (in separate sections)	Check if Enclosed	Complete	Not Complete
<b>Applicant's organization / background information</b>			
• Legal name of business			
• Director / President of the organization			
• Articles of Incorporation and current bylaws			
• IRS 501c (3) determination letter (if non-profit)			
• Type of Organization, (corporation, general partnership, LLC, etc.)			
• List of Board of Directors including address and telephone numbers; list of officers and their positions for non-profits			
• Current organizational chart			
• Federal Tax ID# or Social Security # of owner(s)			
• Complete disclosure of any outstanding judgments			
• Statement of details of any pending litigation			
• Certificate of Good Standing from the North Carolina Secretary of State or State where the developer/development team is incorporated			
• Resumes of developer's key staff			
• Resumes and experience of development team			
• Other City funds previously received			
• List of properties managed by the proposed management Developer that have been in default in the last ten years			
• Statement or list of any outstanding uncorrected noncompliance issues for properties managed by the proposed management Developer or list of North Carolina Housing Finance Agency (NCHFA) compliance of Tax Credit Properties in default over the last ten years (if applicable)			
• Verification letter from the Housing Finance Agency in states where developer has developed tax credit developments, which verifies any past or current outstanding/uncorrected noncompliance issues			
<b>SECTION C – Project Information</b>			
Description and scope of the project including its history and goal			
Number and types of units (i.e. affordable vs. unrestricted)			

		CITY USE ONLY	
ITEMS TO BE SUBMITTED (in separate sections)	Check if Enclosed	Complete	Not Complete
Number of bedrooms			
Number of parking spaces			
Income levels to be served (specify the number of units at each income level)			
Statement of project costs and verification of any committed and/or anticipated funding for the project (e.g. approval letters, letters of intent, feasibility letters.)			
Neighborhood narrative and revitalization description			
Number of years the development and or the units serving households earning 80% and below will remain affordable			
Real Estate Taxes – State in detail the assumption used to arrive at the annual real estate taxes proposed in the pro-forma			
Description of any supportive services (if applicable)			
Map with location and directions to the site			
Description of proximity to amenities – medical, groceries and public transportation			
Legal description of real estate			
Description of any environmentally significant site condition(s)			
Description of historically significant conditions requiring Historic Review (if applicable)			
Detailed management plan			
Relocation plan and statement of proposed relocation assistance (if applicable)			
Specify the number of years the development and or the units serving households earning 80% and below will remain affordable			
<b>Site appraisal of land and existing / proposed building(s), conducted by a member of the American Institute (MAI).</b> Market studies prepared by the North Carolina Housing Finance Agency that meet the City's requirements may be accepted for LIHTC applications at the time of release. Appraisal must include:			
• Date of appraisal			
• Purpose and function of the appraisal			
• Definition of market value			
• Identification of the property being appraised			

		CITY USE ONLY	
ITEMS TO BE SUBMITTED (in separate sections)	Check if Enclosed	Complete	Not Complete
• Property rights being appraised			
• Site (land) description			
• Description of improvements (building)			
• Real estate taxes on subject property			
• Three approaches to value (cost, market and income)			
• Correlation of the three approaches			
• Assumptions and limited conditions			
• Qualifications of the appraiser			
<b>SECTION D – Project Financing</b>			
Statement of the purpose of the funding request and projected impact on the project			
Proposed sources and uses			
Proposed project schedule - include dates for initial closing, construction start date, and substantial completion date			
Project budget (including relocation if applicable)			
Proposed project 20-year proforma with assumptions, rents, percent of annual change in income and expenses			
Proposed terms of the funding request with specified lien position and collateral			
Estimated cost per eligible unit and costs per square foot (include documentation in the form of construction contract or source of the cost estimates)			
Detail any developer fees and equity share			
City of Charlotte Asset Management fee of \$50 per unit per year escalating at 3% annually			
Statement indicating developer will cover HTF closing costs up to \$15,000.			
<b>SECTION E – Planning Review – Project Readiness and Feasibility</b>			
Evidence of site control – (Site control can be exhibited through an option to purchase, purchase contract, executed deed or a City - approved lease for as long as the requested loan term or period of affordability)			
Evidence of compliance with local planning, zoning and flood plain requirements			
All requests must provide <ul style="list-style-type: none"> <li>• Site Plan</li> </ul>			

		CITY USE ONLY	
ITEMS TO BE SUBMITTED (in separate sections)	Check if Enclosed	Complete	Not Complete
<ul style="list-style-type: none"> <li>• Building Elevations</li> <li>• Graphic illustrations (8 ½ x 11)</li> <li>• Completed preliminary <u>Sketch Plan Application</u> to be reviewed by the Charlotte-Mecklenburg Planning Department</li> </ul>			
<b>SECTION F – Charlotte Water – Capacity Assurance &amp; Impact Fee Estimate</b>			
<p>Application for Capacity Assurance must be completed and submitted with the proposal. An application is included in RFP packet and must be included in RFP response. Review of Section <b>15A NCAC 02T .0114</b> of the below linked document is recommended.</p> <p><a href="http://reports.oah.state.nc.us/ncac/title%2015a%20-%20environmental%20quality/chapter%2002%20-%20environmental%20management/subchapter%20t/subchapter%20t%20rules.pdf">http://reports.oah.state.nc.us/ncac/title%2015a%20-%20environmental%20quality/chapter%2002%20-%20environmental%20management/subchapter%20t/subchapter%20t%20rules.pdf</a></p>			
Submit consulting Engineer quotes for all Impact Fees			
<b>SECTION G – Community Outreach.</b> Developers must inform the district City Council Representative for the proposed development and convene at <b>least two community</b> meetings to address concerns/questions about the proposed development. Given the existence of the COVID-19 pandemic, the community meetings can be conducted virtually and must occur prior to City Staff going to City Council for award approval.			
<p>Distribution list of meeting notice. List should include</p> <ul style="list-style-type: none"> <li>• Residential property owners within 300 feet of the site</li> <li>• All neighborhood organizations from the City's neighborhood organization contact list that are within one mile of the site. To identify the neighborhood organizations, developers should go to the below link</li> <li>• (charlottenc.gov/nocl).</li> <li>• Affordable housing stakeholders as identified by City Staff.</li> </ul> <p>Developers who had at least <b>two previous neighborhood meetings</b> and project discussions informing the community of the proposed plan during the rezoning process must include verification that:</p> <ul style="list-style-type: none"> <li>• They informed the community of their intentions to seek City funding and other public funding requests</li> <li>• They have meeting notes, announcements, presentation and list of participants</li> <li>• The meetings took place within a year of proposed project application</li> </ul>			

		CITY USE ONLY	
ITEMS TO BE SUBMITTED (in separate sections)	Check if Enclosed	Complete	Not Complete
Copy of announcements of meeting (flyers, advertisements, emails, mailings, etc.) must be sent to City Staff			
Evidence that meeting notice was sent out at least two weeks prior to scheduled meeting and that one of the meetings was held no earlier than 6:00 pm and the other was held at an alternative time (i.e. weekend, during the day, etc.)			
Sign-in sheets (Participant List for meetings held virtually)			
Copy of meeting agenda			
Description of plans to address any concerns raised at meeting			
Meeting Minutes that summarize all matters discussed			
Copy of communication with City Council			
<b>SECTION H – Rehabilitation Projects only</b>			
Evidence that activities are major in scope (repairs such as painting, replacing floor covering, and trim work will be considered only as part of a larger project)			
Evidence that buildings have been placed in service on or before December 31, 2003			
Evidence of rehabilitation expense more than \$25,000 per unit			
Evidence that acquisition cost is not more than sixty (60%) of the total replacement costs			
Evidence that full debt restructuring under the Market to Market process (or any similar HUD program) has not begun or been completed within the last 5 years			
Evidence that property is not deteriorated to the point of requiring demolition			
Evidence that project has not received a City of Charlotte loan or grant in the last five years			